

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 L-03 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 COME-00

OPIC-12 PRS-01 DRC-01 /111 W

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P 252235Z SEP 73

FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 7169

C O N F I D E N T I A L LIMA 7083

E.O. 11652: GDS

TAGS: BDIS, EMIN, EIND, PE

SUBJ: CERRO AWAITS GOP REACTION TO PRESS RELEASE

REF: LIMA 7057 AND 7021

1. HIGH-RANKING CERRO DE PASCO OFFICIAL IN LIMA INFORMED EMBOFF THIS AFTERNOON THAT HE UNDERSTANDS ON GOOD AUTHORITY THAT GOP PREPARING STRONG PUBLIC STATEMENT ATTACKING COMPANY'S BREAKING OFF NEGOTIATIONS. ACCORDING TO HIS SOURCES, HOWEVER, GOP FEARFUL OF POSSIBLE REPERCUSSIONS SHOULD IT DECIDE SEIZE CERRO PROPERTIES IMMEDIATELY. THIS OFFICIAL, THEREFORE, BELIEVES THAT CHANCES SLIGHTLY BETTER THAN FIFTY-FIFTY THAT CERRO WOULD NOT BE TAKEN OVER BY GOP AT LEAST IN THE IMMEDIATE FUTURE. IN CASE HE IS INCORRECT, HOWEVER, HE ALSO ADDED THAT HE AND SEVERAL OTHER EXPATRIATE STAFFERS HAVE ALREADY PACKED THEIR BAGS.

2. IN REGARD TO THE NEW REGULATION REQUIRING ADVANCE DEPOSITS COVERING THE VALUE OF MINERALS BEING SHIPPED, THE SOURCE, WHO IS RESPONSIBLE FOR CERRO COMMERCIAL SALES, PROVIDED FURTHER BACKGROUND AS FOLLOWS:

A. CENTRAL BANK, APPARENTLY NOT FULLY AWARE OF RAMIFICATIONS, ON SEPTEMBER 11 ISSUED A REGULATION WHICH WOULD REQUIRE ADVANCE DEPOSITS OR IRREVOCABLE LETTERS OF CREDIT FOR THE VALUE OF

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MINERALS TO BE SHIPPED BY FOREIGN COMPANIES PRIOR TO AUTHOR-

IZING THE EXCHANGE INVOLVED. MINEROPERU RECEIVED NOTIFICATION FROM THE CENTRAL BANK ON SEPTEMBER 12 BUT FAILED NOTIFY CERRO UNTIL SEPTEMBER 20. CERRO IS PREPARED SHIP 56,000 TONS OF ZINC, TUNGSTEN, COPPER AND SILVER, \$5.7 MILLION CONSIGNED TO MINEROPERU AND \$5 MILLION ON ITS OWN ACCOUNT. CURRENTLY, OF THE THREE BOATS WHICH LLOSA MADE REFERENCE TO IN LIMA 7021, TWO ARE AT CALLAO AND ONE HAS NOT YET ARRIVED AT PORT.

B. ONE OF THESE BOATS WILL BE ALLOWED TO DEPART ON SCHEDULE BECAUSE ITS CONCENTRATES ARE CONSIGNED TO MINEROPERU, AND CERRO DE PASCO, ALTHOUGH THE PRODUCER OF THE CONCENTRATES, IS NOT THE SALES AGENT AND THEREFORE THE CENTRAL BANK REGULATION REQUIRING ADVANCE PAYMENT DOES NOT APPLY. THE STATUS OF THE SECOND BOAT IS UNCERTAIN SINCE ITS CARGO IS CONSIGNED PARTLY TO MINEROPERU AND PARTLY TO CERRO, AND CERRO THEREFORE REFUSING TO PAY ADVANCE DEPOSITS FOR ITS PART OF THE CARGO. (LIMA 7057 NOTES THAT WALSH IN NEW YORK STATES NO FURTHER DEMURRAGE CHARGES WILL BE PAID.)

3. CERRO OFFICIAL ALSO NOTED THERE HAD BEEN CONSIDERABLE DISCUSSION AMONG SENIOR STAFF PEOPLE HERE ABOUT WHETHER TO TONE DOWN MURPHY STATEMENT WHEN LIMA OFFICE PUBLISHED IT IN SPANISH. SEVERAL SENIOR OFFICIALS APPARENTLY ARGUED THAT IT WOULD BE WISER TO RELEASE MURPHY STATEMENT UNEXPURGATED, ALTHOUGH FINAL TEXT (SEE LIMA 7061) DID SHOW EDITING TO REDUCE IMPACT OF SOME OF MURPHY'S VERY STRONG LANGUAGE.  
BELCHER

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